

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF)	CASE NO.
KENTUCKY-AMERICAN WATER COMPANY)	95-554

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file the original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than 20 days from the date the application is filed. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. Each response should include complete

details of any items which are allocated among Kentucky-American and other affiliates.

1. Provide a complete copy of Kentucky-American's internal accounting manuals, directives, policies and procedures that have been revised or issued since Kentucky-American's last rate case filing.

2. Provide a complete copy of all of Kentucky-American's budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures that have been revised or issued since Kentucky-American's last rate case filing.

3. Identify and provide copies of relevant text of any economic data relied upon in developing budget and forecast escalation assumptions in sales, construction, or cost projections.

4. a. Provide a comparison of Kentucky-American's operating budgets to the actual results, by account, for 1993 and 1994. Explain in detail any yearly account variance greater than 5 percent.

b. Provide the same information requested above for 1995 when it is available.

5. Provide an organization chart that reflects the planning process used by Kentucky-American, including those planning processes of regional headquarters that have a direct impact on Kentucky-American. Identify functional responsibility for data

sources and responsible personnel. Identify budget inputs, including any computer models or applications employed, as well as personnel responsible for maintaining such models.

6. Provide a reconciliation and detailed explanation of any differences in the capitalization and the net investment rate base of Kentucky-American for the base period.

7. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's rate filing and for the base period used in this case. Provide detailed explanations necessary to reconcile this data with the filed base period revenue requirement information.

8. Describe the procedures used by Kentucky-American in the planning and approving construction projects. Provide the long-term construction planning program.

9. For each construction project begun during the last ten calendar years, provide the information requested in the format contained in Schedule 9. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

a. Provide the same information requested above for 1995 when the information is available.

10. Provide in the format provided as Schedule 10 an analysis of the Construction Work in Progress as defined in the Uniform

System of Accounts for the 12 months preceding the base period, the base period, and the forecasted test period.

11. Provide the information requested in Schedule 11 for each construction project in progress listed on Schedule 10.

12. Provide the information requested in Schedule 12 for budgeted and actual regular wages, overtime wages, and total wages by employee group, by month, for the most recent two years available. Explain in detail any variance exceeding 5 percent in any one month. Update as further information becomes available.

13. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted by or for Kentucky-American or utilized by Kentucky-American for 1993, 1994, 1995 and for the forecasted period. For each, describe how it was used by Kentucky-American, state the costs of the study to Kentucky-American, and indicate in which accounts its cost was recorded and the month recorded.

14. Describe Kentucky-American's policy regarding general wage increases and merit pay increases. State the amount, percent increases, and effective dates for general wage increases and separately, for merit increases granted for the years 1993, 1994, and 1995 and for the base period and the forecasted period for each employee group.

15. Provide complete details of any early retirement plans or other staff reduction programs Kentucky-American has offered in the

last two years or intends to offer its employees during the forecasted test period. Include a copy of any cost-benefit analyses associated with these programs.

16. Provide a detailed list of all fringe benefits available to Kentucky-American employees and the expected cost of each benefit in the forecasted test year. Provide comparative cost information for the two years preceding the base year and the base year. Indicate which fringe benefits, if any, are available only for management employees. Also explain any changes occurring over this period.

17. List separately the budgeted and actual numbers of full- and part-time employees by employee group, by month and by year, for the five years immediately preceding the base period, the base period, and the forecasted period.

18. Provide complete details of Kentucky-American's Other Post-retirement Employee Benefits ("OPEB") package(s) provided to employees.

19. Provide all current labor contracts and the most recent contracts previously in effect.

20. Provide a complete copy of Kentucky-American's current medical insurance policy.

21. Provide a description of weather and customer data maintained by the company, and complete details of how these data are integrated into the sales forecast model.

22. Provide, for each major functional plant property group or account, the plant beginning and ending balances, gross additions, retirements, and transfers for Kentucky-American occurring in the forecasted test period in the format provided in Schedule 22. If in a particular account, transfers regularly occur in the normal course of business, provide a general description of the nature of the transfers.

23. Provide a list of all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized in the format provided in Schedule 23. Describe the type and use of the property, name of lessor, amount of the lease payment and the dollar value of property involved.

24. List all property held for future use included in rate base in the format provided in Schedule 24. Describe the property, date of acquisition, the original cost, accumulated depreciation, expected in-service date, and expected use of property.

25. Provide the information requested in Schedule 25 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test period rate base.

26. Provide the following monthly account balances and a calculation of the average (13 month) account balances for the total company and jurisdictional operations (original cost):

- a. Plant in Service;
- b. Plant Purchased or Sold;
- c. Property Held for Future Use;
- d. Construction Work in Progress (Separate this balance into CWIP eligible for capitalized interest and other CWIP);
- e. Completed Construction Not Classified;
- f. Accumulated Depreciation and Amortization;
- g. Plant Acquisition Adjustment;
- h. Amortization of Utility Plant Acquisition Adjustment;
- i. Materials and Supplies;
- j. Balance in Accounts Payable Applicable to each account in (i) above; (If actual cannot be determined, give reasonable estimate.)
- k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971;
- l. Unamortized Investment Tax Credit - Revenue Act of 1971;
- m. Accumulated Deferred Income Taxes;
- n. A Summary of Customer Deposits;
- o. Computation and Development of Minimum Cash Requirements;

p. Balance in accounts payable applicable to amounts included in utility plant in service; (If actual cannot be determined, give reasonable estimate.)

q. Balance in accounts payable applicable to prepayments by major category or subaccount;

r. Balance in accounts payable applicable to amounts included in plant under construction; (If actual cannot be determined, give reasonable estimate);

s. All Current Assets and Current Liability Accounts not included above.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for the base period and the forecasted period in the format provided in Schedule 27.

28. Provide a trial balance as of the last day of the base period (all income statement accounts should show activity for 12 months) showing account number, account title, and actual base period accounts.

29. Provide the following information regarding the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes":

- a. the date of implementation;
- b. the effect on the financial statements;

c. whether the base year or forecasted period includes any impact of the implementation. If so, provide detailed information regarding the impact.

30. If the 1989 service contract with the American Waterworks Service Company ("Service Company") has been modified, amended, or replaced, provide a complete copy of the current service contract and identify the areas that differ from the 1971 and 1989 service contracts.

31. a. Provide copies of all other service agreements and contracts that Kentucky-American has with any of the affiliate companies.

b. Provide a narrative discussion of the pricing policies of Kentucky-American and its affiliates with regard to affiliate company transactions.

32. a. Provide a comprehensive list and detailed description of any service that has been rendered to Kentucky-American by any of its sister companies.

b. Provide a comprehensive list and detailed description of the services that Kentucky-American has provided to any of its sister companies.

33. What benefits does Kentucky-American derive from having affiliates render the services enumerated?

34. a. Provide separate detailed comparisons, using the 1971 and 1989 contracts (or the current contract), of allocated

charges expensed by Kentucky-American in the base period, and the projected allocated amount expensed in the forecasted period, in the format attached as Schedule 34a.

b. Provide a detailed analysis of the Service Company charges directly billed to Kentucky-American and expensed during the base period, and the projected expenses for the forecasted period as shown in Schedule 34b.

c. Provide a separate detailed analysis of the Service Company charges allocated or directly billed to Kentucky-American and capitalized during the base period, and the projected amounts for the forecasted period.

35. The Dismissal Order in Case No. PUA88005¹ required the Virginia-American Water Company ("Virginia-American") to file a schedule of information to support the use of the number of customers as a general allocator in its Service Company contract. Virginia-American was to file these schedules annually (with the first schedule due April 1, 1990) until otherwise directed. Provide copies of the schedules Virginia-American has filed to date and include any Orders, requests, or correspondence that have arisen from this proceeding.

36. a. Provide a list of customers receiving free service from Kentucky-American, including a description of the service

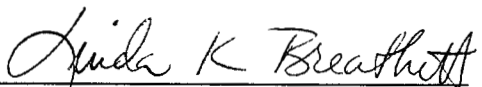
¹ Case NO. PUA88005, The Application of Virginia-American Water Company for Authority to Enter Into Service Agreement with Affiliate, Order entered November 17, 1988.

being received, and a reason these customers are receiving free service.

b. Provide estimates of the amount of revenue these customers would have generated in the base and forecasted periods, if they were being billed for their service. Include all assumptions, calculations, and workpapers used to generate the estimates.

Done at Frankfort, Kentucky, this 30th day of January, 1996.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

Kentucky-American
Case No. 95-554
Construction Projects
As of _____

Type of Filling: _____ Original _____ Updated _____ Revised _____
Worksheet Reference No(s): _____

Schedule 9
Page 1 of 1
Witness Responsible: _____

Project No.	Project Title/Description	Annual Actual Cost	Annual Original Budget	Variance in Dollars	Variance as Percent	Percent of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance in Dollars	Date Original Budget Start	Date Original Budget End	Date Actual Start	Date Actual End
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Kentucky-American
Case No. 95-554
Construction Work in Progress
As of _____

Data: _____ Base Period _____ Forecasted Period _____
 Type of Filing: _____ Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

Schedule 10
Page 1 of 1
Witness Responsible: _____

Accumulated Costs					
Line No. (A)	Project No. (B)	Description of Project (C)	Indirect		Estimated Physical Percent Completed (H)
			Construction Amount (D)	AFDUC Capitalized (E)	
				Other Costs (F) *	Total Cost (G=D+E+F)
			\$	\$	\$

TOTAL

*Explain the nature of all other indirect costs in footnotes.

Kentucky-American
Case No. 95-554
Construction Work in Progress - Percent Complete*
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Worksheet Reference No(s): _____

Schedule 11
Page 1 of 1
Witness Responsible: _____

Line No. (A)	Project No. (B)	Date Construction Work Began (C)	Estimated Project Completion Date (D)	Percent of Elapsed Time (E)	Original Budget Estimate (F)	Most Recent Budget Estimate (G)	Total Project Expenditures (H)	Percent of Total Expenditures (I) = (G) + (F)
					\$	\$	\$	

*Should be based on expenditures including AFUDC.

Kentucky-American
Case No. 95-554

Schedule 22
Page 1 of 1
Witness Responsible:

Line No.	Acct. No.	Account Title	Beginning Balance	Additions	Retirements	Transfers/Reclassifications			Ending Balance
						Amount	Explanation of Transfers	Other Accounts Involved	
			\$	\$	\$				\$

Kentucky-American
Case No. 95-554
Leased Property
(Total Company)
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Schedule 23
Page 1 of 1
Witness Responsible: _____

Identification or Reference Number	Description of Type and Use of Property	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar* Value of Property Involved	Explain Method of Capitalization
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*If not available, an estimate should be furnished.

Kentucky-American

Case No. 95-554

Property Held for Future Use Included in Rate Base
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Schedule 24
Page 1 of 1
Witness Responsible: _____

Line No.	Description and Location of Property	Acquisition Date	Original Cost	Accumulated Depreciation	Net Original Cost	Revenue Realized		Expenses Incurred	
						Amount	No.	Description	Amount

Kentucky-American
Case No. 95-554

Certain Deferred Credits and Accumulated Deferred Income Taxes
As of _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

Schedule 25
Page 1 of 1
Witness Responsible: _____

Line No.	Account No.	Description
		Customers' Advances for Construction
		Contributions in Aid of Construction
		Investment Tax Credits:
		Pre 1971 3% Credit
		1971 4% Credit
		1975 6% Additional Credit
		1981 10% Credit on Recovery Property
		ITC Tax Benefits Sold
		Deferred Income Taxes:
		Accelerated Amortization
		Liberalized Depreciation
		ACRS Tax Benefits Sold
		Other (Specify and list separately)
		Other (Specify and list separately)

Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code.

Kentucky-American
Case No. 95-554

Adjusted Jurisdictional _____ Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Schedule 27
Page 1 of 3
Witness Responsible: _____

Line No.	Description	At Current Rates		Schedule 49		At Proposed Rates	
		Unadjusted (1)	Adjusted (2)	Unadjusted (3)	Adjusted (4)	Adjusted (5)	
1	Operating Income Before Income Taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2	Reconciling Items:						
3	Interest Charges						
4	Tax Accelerated Depreciation						
5	Book Depreciation						
6	Excess of Tax Over Book Depreciation						
7	Other Reconciling Items (Specify and List						
8	Total Reconciling Items						
9	Taxable Income						
10	Income Tax Rates:						
11	\$ _____ @ _____ %						
12	\$ _____ @ _____ %						
13	\$ _____ @ _____ %						
14	\$ _____ @ _____ %						
15	Over \$ _____ @ _____ %						
16	Federal (State) Income Tax Liability						

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American

Case No. 95-554

Adjusted Jurisdictional _____ Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period

Type of Filing: _____ Original _____ Updated _____ Revised

Workpaper Reference No(s): _____

Schedule 27
Page 2 of 3
Witness Responsible: _____

At Current Rates

Schedule 49

At Proposed Rates

Line No.	Description	Unadjusted (1)	Adjustments Adjusted (2)	Adjusted (3)	Adjustments (4)	Adjusted (5)
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes - Current	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
19	Deferred Income Taxes:					
20	Tax Accelerated Depreciation					
21	Tax Straight-Line Depreciation					
22	Excess of Accelerated Over Straight-Line Depreciation					
23	Deferred Income Tax @ _____ %					
24	Amortization of Prior Years Deferred Income Taxes					
25	Net Deferred Income Taxes Resulting from Depreciation					
26	Investment Tax Credit Deferred					
27	Amortization of Prior Years I.T.C.					

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 95-554

Adjusted Jurisdictional _____ Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

Schedule 27
Page 3 of 3
Witness Responsible: _____

Line No.	Description	At Current Rates			At Proposed Rates	
		Schedule 49			Adjustments (4)	Adjusted (5)
		Unadjusted (1)	Adjustments (2)	Adjusted (3)		
28	Investment Tax Credit - Net	\$	\$	\$		\$
29	Other Tax Deferrals (Specify and List Separately)					
30	Total Deferred Income Taxes	\$	\$	\$		\$
31	Total Federal (State) Income Taxes (18 + 30)	\$	\$	\$		\$

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 95-554
Service Company Contract Comparison

Data: ____ Base Period ____ Forecasted

Schedule 34a
Page 1 of 1
Witness Responsible:

<u>Description</u>	<u>1971 Contract</u>	<u>Difference</u>	<u>1989 Contract</u>
Administrative			
Regional Office			
General Office			
Engineering			
Regional Office			
General Office			
Customer Relations			
Regional Office			
General Office			
Employee Relations			
Regional Office			
General Office			
Water Quality			
Regional Office			
General Office			
Secretarial			
Regional Office			
General Office			
Accounting			
Regional Office			
General Office			
Treasury			
Regional Office			
General Office			
Data Processing -			
General			
Internal Auditing			
Total			
Regional Office			
General Office			
Data Processing			
Authorization			
Total A/C ____			
Customer Billing A/C ____			
Auth/Water Quality/Var Accounts			
Construction/Maintenance			
Grand Total			

Kentucky-American
Case No. 95-554
Service Company Contract Comparison

Schedule 34b
Page 1 of 1
Witness Responsible:

<u>Description</u>	<u>Base Period</u>	<u>Forecasted Period</u>
Administrative		
Regional Office		
General Office		
Engineering		
Regional Office		
General Office		
Customer Relations		
Regional Office		
General Office		
Employee Relations		
Regional Office		
General Office		
Water Quality		
Regional Office		
General Office		
Secretarial		
Regional Office		
General Office		
Accounting		
Regional Office		
General Office		
Treasury		
Regional Office		
General Office		
Data Processing -		
General		
Internal Auditing		
Total		
Regional Office		
General Office		
Data Processing		
Authorization		
Total A/C _____		
Customer Billing A/C _____		
Auth/Water Quality/Var Accounts		
Construction/Maintenance		
Grand Total		